



PROPOSED RULE MAKING (RCW 34.05.320)

CR-102 (7/22/01)
**Do NOT use for expedited
rule making**

Agency: **Insurance Commissioner**

X Preproposal Statement of Inquiry was filed as WSR 02-14-152; or
☐ Expedited Rule Making -- Proposed notice was filed as WSR _____; or
☐ Proposal is exempt under RCW 34.05.310(4).

X Original Notice
☐ Supplemental Notice
to WSR _____
☐ Continuance of WSR _____

(a) Title of rule: (Describe Subject) **Unfair practices in the sale of single premium credit insurance.**
Purpose: Prohibit certain unfair or deceptive practices regarding the sale or issuance of single premium credit insurance in connection with a residential mortgage loan.
Other identifying information: Insurance Commissioner Matter No. R 2002-03

(b) Statutory authority for adoption: RCWs 48.02.060, 48.18.100, 48.18.110, 48.18.120, 48.18.480, 48.20.450, 48.20.460, 48.30.010, 48.30.300, 48.34.100.	Statute being implemented: RCWs 48.02.060, 48.18.100, 48.18.110, 48.18.120, 48.18.480, 48.20.450, 48.20.460, 48.30.010, 48.30.300, 48.34.100.
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(c) Summary: The proposed rule would make it an unfair practice for an insurer or licensee to issue or sell single premium credit insurance in connection with a residential mortgage loan unless: (a) The term of the single premium credit insurance policy is the same as the term of the loan; (b) The borrower is given the option to buy credit insurance paid with monthly premiums; and (c) The credit insurance policy provides for a full refund of premiums to the borrower if the credit insurance is cancelled within sixty days of the date of the loan.

Reasons supporting proposal: The proposed rule eliminates or limits the predatory impacts of certain lending and insuring practices connected with residential mortgage loans. Consumers will have more information and options to better protect themselves from unfair or deceptive practices.

(d) Name of Agency Personnel Responsible for:	Office Location	Telephone
1. Drafting..... Lisa Smego	Tumwater, WA	(360) 586-3110
2. Implementation.... Beth Berendt	Tumwater, WA	(360) 664-4627
3. Enforcement..... Carol Sureau	Tumwater, WA	(360) 586-1189

(e) Name of proponent (person or organization): **Mike Kreidler, Insurance Commissioner**
☐ Private
☐ Public
X Governmental

(f) Agency comments or recommendations, if any, as to statutory language, implementation, enforcement and fiscal matters: **None**

(g) Is rule necessary because of:
Federal Law? ☐ Yes ☒ No If yes, ATTACH COPY OF TEXT
Federal Court Decision? ☐ Yes ☒ No Citation:
State Court Decision? ☐ Yes ☒ No

(h) HEARING LOCATION:
Best Western Executive
200 Taylor Ave.
Seattle, WA 98109
Vashon Room

Date: 10/24/02 Time: 6:00 pm

Assistance for persons with disabilities: Contact
Lori Villaflores by 10/21/02

TDD (360) 664-3154 or (360) 407-0198

NAME (TYPE OR PRINT)

Mike Kreidler

SIGNATURE

TITLE

Insurance Commissioner

DATE

September 5, 2002

Submit written comments to:

Kacy Scott
PO Box 40255
Olympia, WA 98504-0255
Email: Kacys@oic.wa.gov
FAX (360) 586-3109 By 10/23/02

DATE OF INTENDED ADOPTION: **November 12, 2002**

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(COMPLETE REVERSE SIDE)

(j) Short explanation of rule, its purpose, and anticipated effects:

The proposed rule would make it an unfair practice for an insurer or licensee to issue or sell single premium credit insurance in connection with a residential mortgage loan unless:

- (a) The term of the single premium credit insurance policy is the same as the term of the loan;
- (b) The borrower is given the option to buy credit insurance paid with monthly premiums; and
- (c) The credit insurance policy provides for a full refund of premiums to the borrower if the credit insurance is cancelled within sixty days of the date of the loan.

The proposed rule eliminates or limits the predatory impacts of certain insurance sales practices connected with residential mortgage loans. The issue of single premium credit insurance has been a source of consumer complaints and regulatory attention in the State of Washington and across the nation. Consumers often are unaware that they are purchasing an insurance product in connection with their residential mortgage loan. Consumers often do not know that "single premium" credit insurance has been added to the principal of their loan. When single premium credit insurance is added to a mortgage loan, the consumer pays in several ways. First, the consumer has less equity in their home because they used home equity to pay for credit insurance. Second, the consumer will pay interest on the insurance premium for the life of the loan. Finally, while the loan may be financed for up to 30 years, the actual insurance product may be for a much shorter period, perhaps as short as three or five years. As a result, the consumer will pay interest on an insurance coverage that has not in effect for most of the duration of the loan.

The proposed rules allow insurers or licensees to issue or sell single premium credit insurance if three conditions are met:

- The term of the insurance policy is the same as the term of the loan
- The consumer is given the option to purchase a monthly premium product
- The consumer may cancel the coverage and receive a full premium refund for during the first sixty days after the date of the loan.

The proposed rules provide significant consumer protection against the worst predatory sales practices associated with single premium credit insurance and provide the consumer the information and options to make better decisions about their insurance needs.

Does proposal change existing rules? ☐ YES ☒ NO

If yes, describe changes:

(k) Has a small business economic impact statement been prepared under chapter 19.85 RCW?

☐ Yes. Attach copy of small business economic impact statement.

A copy of the statement may be obtained by writing to:

telephoning: ()

faxing: ()

☒ No. Explain why no statement was prepared

The Commissioner does not believe that any insurers impacted by this proposed rule product are small businesses for the purposes of RCW 19.85.020.

(l) Does RCW 34.05.328 apply to this rule adoption? ☒ Yes ☐ No

Please explain: This is a significant legislative rule for the purposes of RCW 34.05.328.

NEW SECTION

WAC 284-30-505 Standards for the sale of single premium credit insurance.

(1) Definitions that apply to this rule:

(a) "Licensee" means every insurance agent, broker or solicitor licensed under chapter 48.17 RCW.

(b) "Residential mortgage loan" means any loan secured by a mortgage or deed of trust on residential real estate which has a maximum of four housing units.

(c) "Single premium credit insurance" means credit insurance purchased with a single premium payment at inception of coverage.

(2) Beginning January 1, 2003, it is an unfair practice for any insurer or licensee to issue or sell single premium credit insurance in connection with a residential mortgage loan unless:

(a) The term of the single premium credit insurance policy is the same as the term of the loan;

(b) The borrower is given the option to buy credit insurance paid with monthly premiums; and

(c) The credit insurance policy provides for a full refund of premiums to the borrower if the credit insurance is canceled within sixty days of the date of the loan.